

# HOUSE BILL 72

M3

0lr0060

(PRE-FILED)

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By: **Chair, Environmental Matters Committee (By Request – Departmental – Environment)**

Requested: October 8, 2009

Introduced and read first time: January 13, 2010

Assigned to: Environmental Matters

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 9, 2010

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Department of the Environment – Oil and Gas Production Permits – Fees**

3 FOR the purpose of requiring the Department of the Environment to establish and  
4 collect certain fees; requiring the Department to consider certain factors in  
5 establishing and reviewing the fees; establishing an Oil and Gas Fund in the  
6 Department for the collection of certain oil and gas permit and production fees;  
7 providing that the Fund is a special, nonlapsing fund; requiring certain fees to  
8 be paid into the Fund; requiring the Department to use the Fund for certain  
9 purposes; requiring the Department annually to submit a certain report;  
10 requiring the Department to adopt certain regulations; defining certain terms;  
11 and generally relating to oil and gas development and production.

12 BY repealing and reenacting, with amendments,  
13 Article – Environment  
14 Section 14–102 and 14–105  
15 Annotated Code of Maryland  
16 (2007 Replacement Volume and 2009 Supplement)

17 BY repealing and reenacting, without amendments,  
18 Article – Environment  
19 Section 14–104  
20 Annotated Code of Maryland  
21 (2007 Replacement Volume and 2009 Supplement)

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**EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 BY adding to  
2 Article – Environment  
3 Section 14–122 through 14–125  
4 Annotated Code of Maryland  
5 (2007 Replacement Volume and 2009 Supplement)

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
7 MARYLAND, That the Laws of Maryland read as follows:

8 **Article – Environment**

9 14–102.

10 (a) In this subtitle the following words have the meanings indicated.

11 (b) “Coalbed methane” means methane and any other gaseous substance  
12 occurring in or produced from a coal seam or related, associated, or adjacent rock  
13 materials.

14 (c) “County” includes Baltimore City unless otherwise indicated.

15 (d) “Department” means the Department of the Environment.

16 (e) “Field” means the general area underlaid by one or more pools.

17 **(F) “FUND” MEANS THE OIL AND GAS FUND.**

18 ~~(G)~~ **(G)** “Gas” means all natural gas and other fluid hydrocarbons, not defined  
19 as oil, which are produced from a natural reservoir.

20 ~~(H)~~ **(H)** “Oil” means crude petroleum oil and other hydrocarbons, regardless of  
21 gravity, which are produced at the wellhead in liquid form, except liquid hydrocarbons  
22 known as distillate or condensate recovered or extracted from gas.

23 ~~(I)~~ **(I)** “Owner” means the person who has the right to drill into and produce  
24 from a pool, or to store in a pool, and appropriate the oil or gas the person produces or  
25 stores either for the person or others.

26 ~~(J)~~ **(J)** “Person” means any individual, corporation, association, partnership,  
27 receiver, trustee, executor, administrator, guardian, fiduciary, or other representative  
28 of any kind.

29 ~~(K)~~ **(K)** “Pool” means an underground reservoir containing a common  
30 accumulation of oil, gas, or both.

1           ~~(L)~~ **(L)** “Producer” means the owner of a well capable of producing oil, gas, or  
2 both.

3           ~~(M)~~ **(M)** “Product” means any commodity produced in its natural state by an oil  
4 or gas well.

5           ~~(N)~~ **(N)** **(1) “PRODUCTION” MEANS THE ACT OR PROCESS OF PRODUCING**  
6 **OIL OR GAS FROM A NATURAL RESERVOIR.**

7                   **(2) “PRODUCTION” DOES NOT INCLUDE THE SALE OR**  
8 **DISTRIBUTION OF OIL OR GAS.**

9           **[(m)]** ~~(O)~~ **(O)** (1) “Underground storage” means the storing of gas or oil in a  
10 geological stratum beneath the surface of the earth.

11                   (2) “Underground storage” includes the injection of gas or oil into and  
12 withdrawal from an underground storage reservoir and any other operation necessary  
13 for or convenient to the storage of gas or of oil.

14           **[(n)]** ~~(P)~~ **(P)** “Underground storage reservoir” means the stratum and  
15 subsurface area that are used or are to be used for or in connection with the  
16 underground storage of gas or of oil.

17 14–104.

18           (a) A person may not drill any well for the exploration, production, or  
19 underground storage of gas or oil in the State without obtaining a permit from the  
20 Department of the Environment under the terms and conditions and on the forms the  
21 Department prescribes.

22           (b) (1) The Department shall require an applicant to submit an  
23 environmental assessment for the purpose of evaluating an application.

24                   (2) The Department shall coordinate with the Department of Natural  
25 Resources in its evaluation of the environmental assessment.

26           (c) The permit serves as the permit required under the provisions of Title 9,  
27 Subtitle 13 of this article, dealing with well drillers.

28           (d) A person may not dispose of any product of a gas or oil well without the  
29 necessary permits issued by the Department.

30 14–105.

31           (a) An applicant for a permit to drill a well under § 14–104 of this subtitle  
32 shall submit an application in a manner satisfactory to the Department.

1           **(B) THE DEPARTMENT SHALL ESTABLISH AND COLLECT FEES FOR:**

2                   **(1) THE ISSUANCE OF A PERMIT TO DRILL A WELL UNDER §**  
3 **14-104 OF THIS SUBTITLE;**

4                   **(2) THE RENEWAL OF A PERMIT TO DRILL A WELL UNDER §**  
5 **14-104 OF THIS SUBTITLE; AND**

6                   **(3) THE PRODUCTION OF OIL AND GAS WELLS INSTALLED AFTER**  
7 **OCTOBER 1, 2010.**

8           **(C) THE FEES IMPOSED UNDER SUBSECTION (B) OF THIS SECTION**  
9 **SHALL BE SET BY THE DEPARTMENT AT THE RATE NECESSARY TO IMPLEMENT**  
10 **THE PURPOSES SET FORTH IN § 14-123 OF THIS SUBTITLE.**

11           **(D) IN ANY FISCAL YEAR, IF THE FEE SCHEDULE ESTABLISHED BY THE**  
12 **DEPARTMENT GENERATES REVENUE THAT EXCEEDS THE AMOUNT NECESSARY**  
13 **TO OPERATE A REGULATORY PROGRAM TO OVERSEE THE DRILLING OF OIL AND**  
14 **GAS WELLS, THE DEPARTMENT SHALL REDUCE THE FEES IN THE FOLLOWING**  
15 **FISCAL YEAR.**

16           **(E) THE FEES COLLECTED BY THE DEPARTMENT UNDER THIS SECTION**  
17 **SHALL BE DEPOSITED IN THE OIL AND GAS FUND ESTABLISHED UNDER §**  
18 **14-122 OF THIS SUBTITLE.**

19           **[(b)] ~~(E)~~ (F)** The Department shall provide public notice, public informational  
20 hearings, and judicial review in accordance with the provisions of § 5-204 of this  
21 article.

22 **14-122.**

23           **(A) THERE IS AN OIL AND GAS FUND.**

24           **(B) THE FUND ~~SHALL CONSIST~~ CONSISTS OF:**

25                   **(1) FEES COLLECTED BY THE DEPARTMENT UNDER § 14-105 OF**  
26 **THIS SUBTITLE;**

27                   **(2) FUNDS APPROPRIATED BY THE GENERAL ASSEMBLY FOR**  
28 **DEPOSIT TO THE FUND;**

29                   **(3) FINES AND BOND FORFEITURES ~~IN EXCESS OF FUNDS NEEDED~~**  
30 **COLLECTED BY THE DEPARTMENT IN ACCORDANCE WITH THIS SUBTITLE THAT**  
31 **EXCEED THE AMOUNT NECESSARY TO RESTORE A SITE; AND**

1           (4) ANY ADDITIONAL MONEY MADE AVAILABLE FROM ANY  
2 SOURCES, PUBLIC OR PRIVATE, FOR THE PURPOSES FOR WHICH THE FUND HAS  
3 BEEN ESTABLISHED.

4           (C) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT  
5 SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

6           (2) NOTWITHSTANDING ANY LAW TO THE CONTRARY, UNUSED  
7 MONEY IN THE FUND MAY NOT REVERT TO THE GENERAL FUND.

8           (D) THE FUND SHALL BE MAINTAINED AND ADMINISTERED BY THE  
9 DEPARTMENT IN ACCORDANCE WITH THE PROVISIONS OF THIS SUBTITLE AND  
10 ANY REGULATIONS THE DEPARTMENT ADOPTS.

11 14-123.

12           THE DEPARTMENT SHALL USE MONEY IN THE FUND SOLELY TO  
13 ADMINISTER AND IMPLEMENT PROGRAMS TO OVERSEE THE DRILLING,  
14 DEVELOPMENT, PRODUCTION, AND STORAGE OF OIL AND GAS WELLS, AND  
15 OTHER REQUIREMENTS RELATED TO THE DRILLING OF OIL AND GAS WELLS,  
16 INCLUDING ALL COSTS INCURRED BY THE STATE TO:

17           (1) REVIEW, INSPECT, AND EVALUATE MONITORING DATA,  
18 APPLICATIONS, LICENSES, PERMITS, ANALYSES, AND REPORTS;

19           (2) PERFORM AND OVERSEE ASSESSMENTS, INVESTIGATIONS,  
20 AND RESEARCH;

21           (3) CONDUCT PERMITTING, INSPECTION, AND COMPLIANCE  
22 ACTIVITIES; AND

23           (4) DEVELOP, ADOPT, AND IMPLEMENT REGULATIONS,  
24 PROGRAMS, OR INITIATIVES TO ADDRESS RISKS TO PUBLIC SAFETY, HUMAN  
25 HEALTH, AND THE ENVIRONMENT RELATED TO THE DRILLING AND  
26 DEVELOPMENT OF OIL AND GAS WELLS, INCLUDING THE METHOD OF  
27 HYDROFRACTURING.

28 14-124.

29           BEGINNING NOVEMBER 1, 2010, THE DEPARTMENT SHALL REPORT EACH  
30 YEAR TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1246 OF THE  
31 STATE GOVERNMENT ARTICLE, ON:

32           (1) THE STATUS OF THE FUND;

1                   **(2) REVENUES OF AND EXPENDITURES FROM THE FUND;**

2                   **(3) THE EFFICIENCY OF THE REGULATORY PROGRAM UNDER**  
3 **THIS SUBTITLE;**

4                   **(4) COMPLIANCE RATES WITHIN THE REGULATORY PROGRAM**  
5 **UNDER THIS SUBTITLE; AND**

6                   **(5) BASED ON THE FACTORS LISTED IN ITEMS (1) THROUGH (4)**  
7 **OF THIS SECTION, THE NECESSITY TO REVIEW AND ADJUST THE FEE IN**  
8 **ACCORDANCE WITH § 14-105(D) OF THIS SUBTITLE.**

9 **14-125.**

10                   **THE DEPARTMENT SHALL ADOPT REGULATIONS:**

11                   **(1) TO CARRY OUT THIS SUBTITLE; AND**

12                   **(2) TO ESTABLISH PROCEDURES FOR IMPOSING AND**  
13 **COLLECTING THE FEES ESTABLISHED IN ACCORDANCE WITH § 14-105 OF THIS**  
14 **SUBTITLE.**

15                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 July 1, 2010.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.